

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES 2003-04 GOVERNOR'S BUDGET HIGHLIGHTS

The 2003-04 Governor's Budget for the Department of Child Support Services (DCSS) provides funding to promote the well being of children and the self-sufficiency of families by delivering first-rate child support establishment and collection services that help both parents meet the financial, medical, and emotional needs of their children. Total funding is proposed to decrease by \$17.8 million or 1.5 percent over the revised 2002-03 budget. The State General Fund (SGF) budget is proposed to increase by \$5.1 million or 1.1 percent over the revised 2002-03 budget. The DCSS budget reflects the transfer of new program responsibilities, and program reductions in the Department's operating budget and local assistance budget. Major changes are described in the following:

FUNDING SUMMARY

(dollars in thousands)

	FY 2002-03	FY 2003-04	Difference	Change
<u>STATE SUPPORT</u>				
State Support-General	\$ 27,389	\$ 29,478	\$ 2,089	7.6 %
State Support-Contracts	<u>\$ 77,299</u>	<u>\$ 76,812</u>	<u>\$ -487</u>	<u>-0.6 %</u>
TOTAL, STATE SUPPORT	\$ 104,688	\$ 106,290	\$ 1,602	1.5 %
General Fund	30,524	31,910	1,386	4.5 %
Federal Funds	74,042	74,258	216	0.3 %
Reimbursements	122	122	-	0 %
<u>LOCAL ASSISTANCE</u>				
Basic Costs	\$861,111	\$825,020	\$-36,091	-4.2%
Other Premises	<u>\$216,394</u>	<u>\$233,050</u>	<u>\$ 16,656</u>	<u>7.7%</u>
TOTAL, LOCAL ASSISTANCE	\$ 1,077,505	\$1,058,070	\$ -19,435	-1.8 %
General Fund	434,499	438,262	3,763	0.9 %
Federal Funds	332,442	314,339	-18,103	-5.4 %
Child Support Recovery Fund	310,243	305,148	-5,095	-1.6 %
Reimbursements	321	321	-	0 %
TOTAL, CHILD SUPPORT PROGRAM	\$ 1,182,193	\$1,164,360	\$ -17,833	-1.5 %
General Fund	465,023	470,172	5,149	1.1 %
Federal Funds	406,484	388,597	-17,887	-4.4 %
Child Support Recovery Fund	310,243	305,148	- 5,095	-1.6 %
Reimbursements	443	443	-	0.0 %
AUTHORIZED POSITIONS	220.2	259.2	39.0	17.7 %

PROGRAM HIGHLIGHTS

State Support

The Governor's Budget includes reductions in both FY 2002-03 and FY 2003-04. The combined reductions include 25.5 positions and \$3.5 M (\$0.9 M SGF) to DCSS' operating budget. In addition, the FY 2003-04 budget proposes an increase of \$1.3 M SGF to reflect the transfer of the responsibilities for the California Parent Locator Service and the California Central Registry from the Department of Justice (DOJ). The net increase is \$1.6 Million or 1.5 percent over the revised FY 2002-03 budget. Significant changes proposed for FY 2002-03 and FY 2003-04 are as follows:

Major Budget Adjustments Included in 2002-03:

- \$1.5 M (\$0.5 M SGF) one-time savings in contracts due to the late passage of the budget.
- \$681,000 (\$232,000 SGF) and 11.5 positions (10.9 personnel years) to eliminate the positions vacant on June 30, 2002 (per Budget Letter 02-13).

Major Budget Adjustments Proposed for 2003-04:

- A reduction of \$1.3 M (\$0.4 M, SGF) and 14.0 positions (13.3 personnel years) related to administrative support and various operating expense reductions.
- Increase of \$1.3 M SGF and 53.0 positions (50.3 personnel years) and related operating expenses resulting from the transfer of the California Parent Locator Service and California Central Registry from DOJ to DCSS pursuant to Chapter 759, Statutes of 2002 (AB 3033). This is a no new cost proposal and simply redirects the positions and funding for these functions from DOJ to DCSS.

Local Assistance

Federal and state funds share the costs of salaries, benefits and operating expenses of LCSA staff who administer the child support program. The federal government pays 66 percent of the total program costs and also provides a federal incentive based on the State's performance in five performance measures. The SGF provides the balance of the nonfederal match of the LCSA costs that are not covered by the federal incentive payment. The combined federal incentives and SGF for local administrative costs equal 13.6 percent of total distributed collections subject to the funds appropriated in the Annual Budget Act. As a result of lower General Fund revenues, and increased demands on the SGF, the FY 2003-04 Governor's Budget proposes a reduction to the 13.6 percent funding in LCSA administrative costs of \$109.0 M.

Local Assistance (Continued)

Federal and state funds are used to finance the costs of a statewide-automated child support system, as required by federal law. The Franchise Tax Board (FTB) is the Department's agent for development of the statewide automation system, and the General Fund necessary to match the federal funds for development of the statewide system is reflected in FTB's budget. The federal funds for the project are reflected in the DCSS budget.

The Governor's Budget for FY 2003-04 proposes a net decrease of \$19.4 M or 1.8 percent over the revised FY 2002-03 budget for funding local assistance costs. Significant changes proposed for FY 2002-03 and FY 2003-04 are as follows:

Major Budget Adjustments Included in 2002-03:

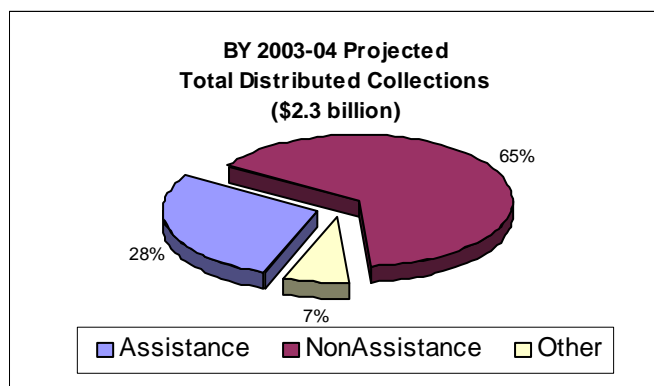
- Decrease of \$9.0 M SGF due to an estimated increase in the Federal Basic Incentives.
- Increase of \$98.5 M SGF to fully fund the Alternative Federal Penalty.
- Increase of \$6.2 M SGF to the child support revenue to reflect a county share of the increased cost of the Alternative Federal Penalty.

Major Budget Adjustments Included in 2003-04:

- Decrease of \$109.0 M (\$37.1 M, SGF) in Local Child Support Agency Basic Administration Costs. This reduction reflects the savings from the 13.6% of total distributed child support collections. This adjustment reflects actual historical spending patterns and various reductions to training, customer service, ombudsperson, client outreach, and other department initiatives.
- Decrease of \$4.7 M SGF due to the suspension of the Health Insurance Incentives and the Improved Performance Incentives.
- Increase of \$18.9 M SGF to fund the Alternative Federal Penalty.
- Includes \$51.8 M as revenue to the General Fund to reflect a 25% county share of the Alternative Federal Penalty.
- Increase of \$2.5 M to the General Fund revenue by eliminating the transfer of child support collections to the Foster Parent Training Fund.

CHILD SUPPORT COLLECTIONS

The Governor's Budget for FY 2003-04 projects distributed collections at \$2.3 billion (B), an increase by approximately \$85.6 million (M) or 3.7 percent over the revised FY 2002-03 distributed collections. These collections are distributed in three ways: to the families as a child support payment, to the state, federal and county governments as revenue to recover the assistance payments, and to other states. The distributed collections are categorized into three categories: NonAssistance, Assistance, and Other.



NonAssistance Collections. FY 2003-04 proposes \$1.5 B, which is an increase of \$86.5 M over the revised FY 2002-03 budget. These are collections that are made on behalf of families and sent directly to the families. They include basic collections \$1.4 B, which are the ongoing efforts of the Local Child Support Agency (LCSA) to collect child support payments from noncustodial parents and new premises (\$71.1 M), which are collections that are associated with new enforcement activities that are above the basic ongoing functions of the LCSA, such as Franchise Tax Board Non-Tax Collections, and California Insurance Intercept Project.

Assistance Collections. FY 2003-04 proposes \$660.8 M, which is a decrease of \$7.0 M over the revised FY 2002-03 budget. These collections go to repay the state, federal and county governments for assistance payments.

Other Collections. FY 2003-04 proposes \$164.2 M, which is an increase of \$6.1 M over the revised FY 2002-03 budget. These collections consist of Assistance \$8.1 M and NonAssistance \$117.1 M collections that are collected on behalf of other states. Other collections also include the \$50 State Disregard Payment to Families (\$27.6 M) and Miscellaneous collections (\$11.5 M).

